 Turkey consumer

Tracking Turkey's policy shift

Capital Economics view (June 2024): Turkey's policy shift took a set back at the start of the year amid stronger-than-expected inflation and a decline in foreign capital inflows, but the 500bp interest rate hike in March and passing of the local elections at the end of the month have renewed investor optimism. A surge in capital inflows has helped to rebuild the central bank's FX reserves in recent months and the lira has been remarkably stable.

The scale of the challenge to reduce Turkey's macro imbalances is large and will take years. Domestic demand is still too strong, the budget deficit is far too wide and the current account deficit is adjusting only slowly. Still, the commitment among policymakers to macro orthodoxy has given us reason for optimism and we think there's a case to take a positive view on the medium-term outlook. If we're right that disinflation will soon set in, local currency bonds have the potential to deliver comparatively high returns among EMs over the next couple of years and Turkey's sovereign risk premia could remain at low levels.

This webpage hosts our key research and analysis on Turkey's policy shift since May 2023. It includes a data dashboard of the most important and timely indicators of Turkey's economy, our analysis of recent central bank meetings and key data releases, as well as a table of our key economic and financial market forecasts.



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[Explore this interactive dashboard showing the most important and timely variables to gauge whether Turkey's policy shift is for real.](#)

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 Turkey Election 2023

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In this *Focus* we set out our thoughts on Turkey's policy shift so far, what more needs to be done and our forecasts for Turkish bonds and equities over the next five years.

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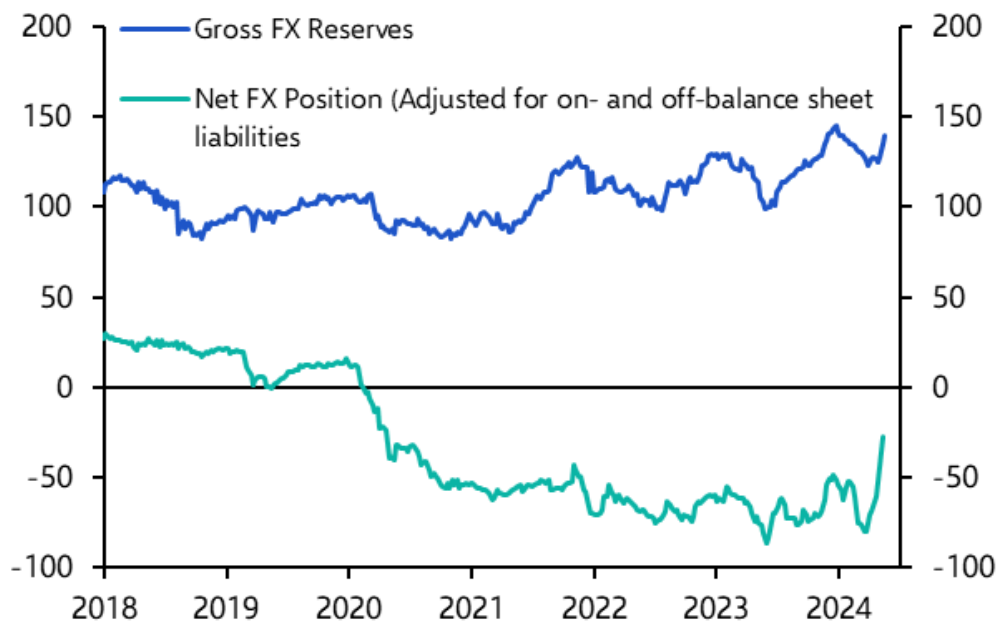


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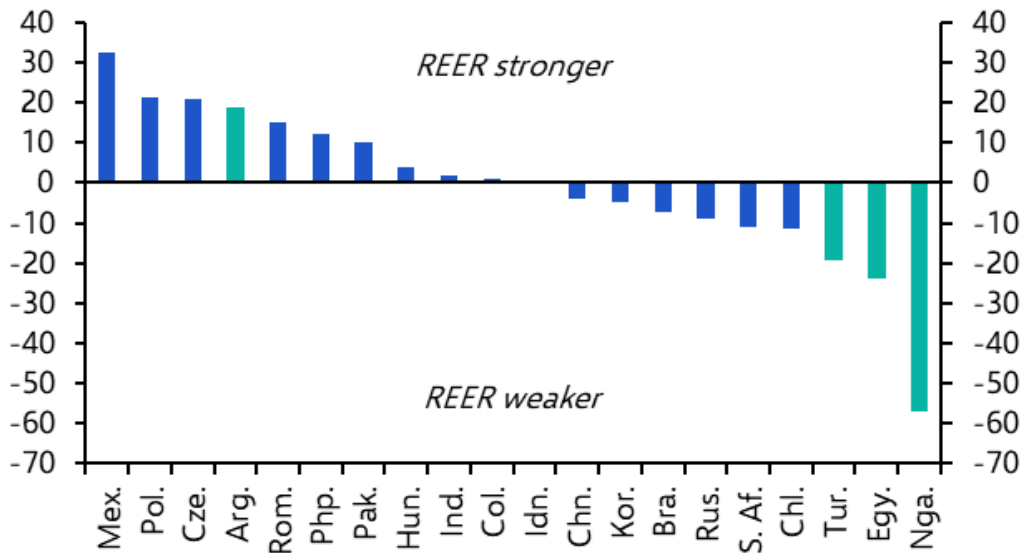
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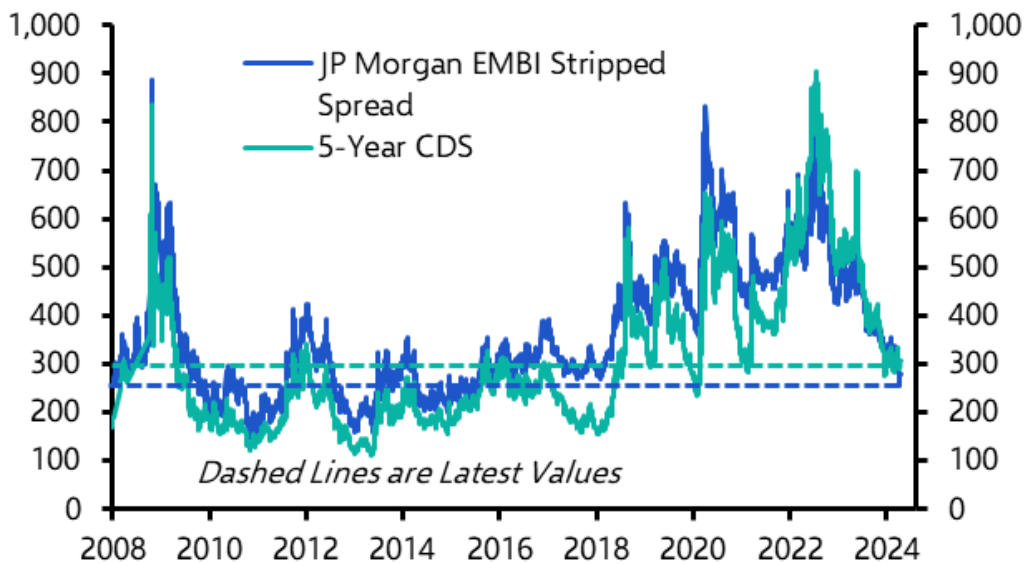
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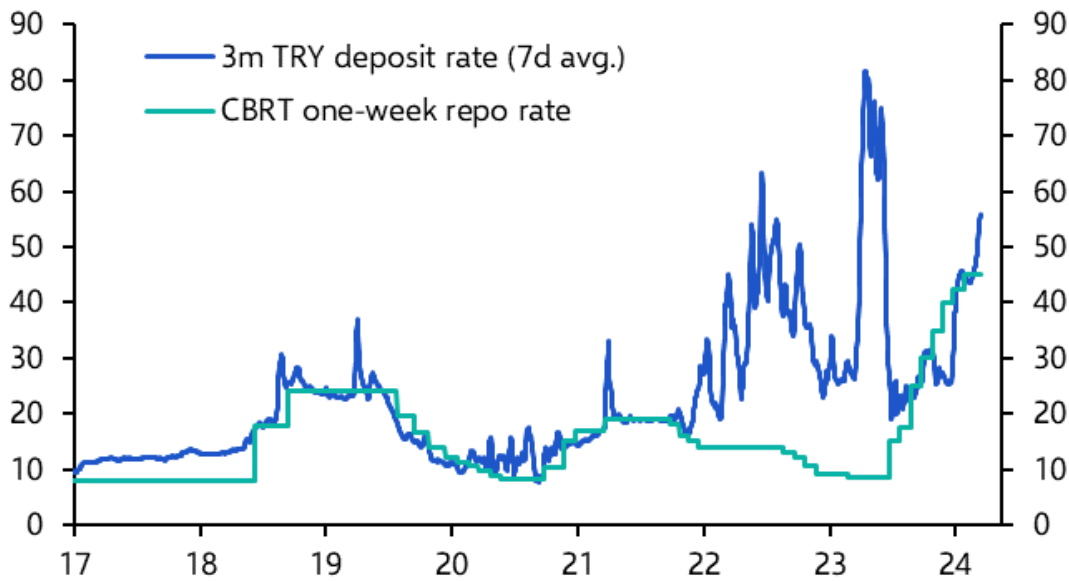
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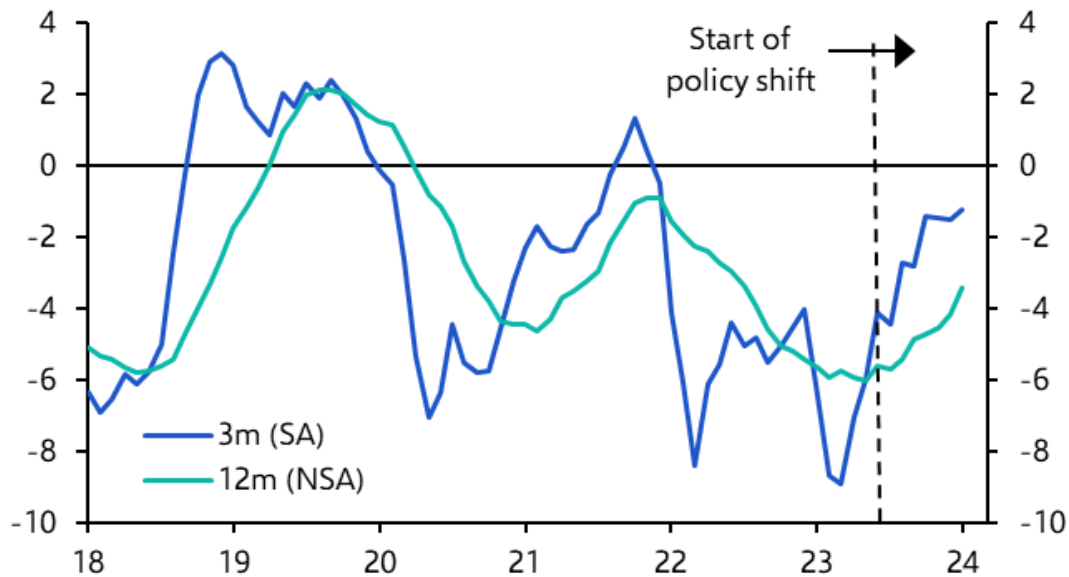
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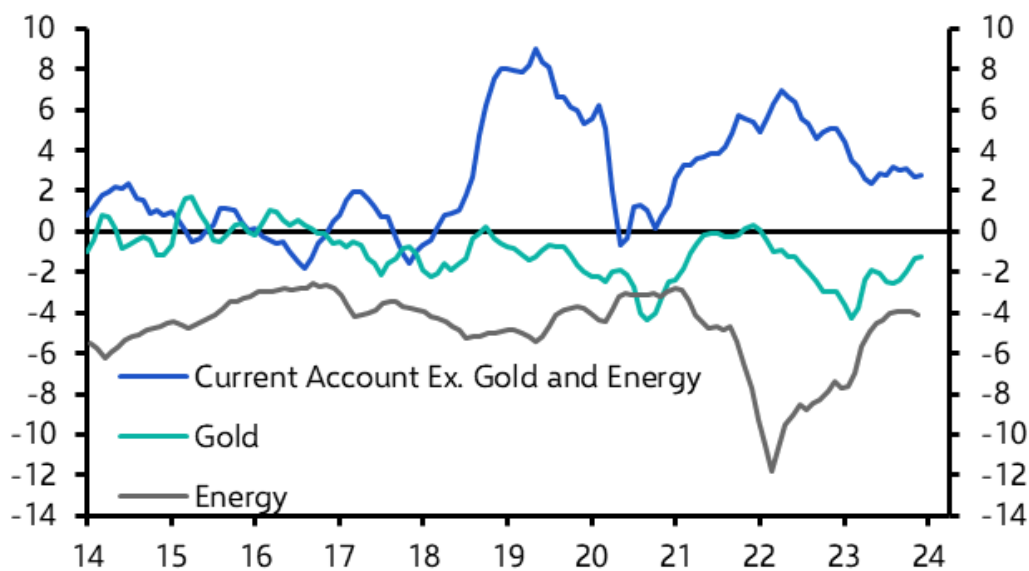
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Key Turkey Forecasts

Main Economic & Market Forecasts

	2021	2022	2023	2024	2025	2026	2027 – 31
GDP	11.4	5.5	4.5	3.8	2.3	3.5	2.8
Unemployment Rate (%)	12.0	10.5	9.4	8.8	9.3	8.5	8.3
CPI Inflation (Avg.)	19.6	72.3	53.9	57.0	27.8	20.0	12.5
CPI Inflation (End-Period)	36.1	64.3	64.8	41.0	23.0	17.5	9.5
General Gov't Bal ^{1), 2)}	-4.0	-1.1	-5.5	-5.5	-4.3	-3.8	-
General Gov't Debt ¹⁾	41.8	30.8	28.9	27.5	28.8	32.0	-
Current Account ¹⁾	-0.9	-5.1	-4.1	-2.5	-1.8	-1.3	-
1-week Repo Rate (End-Period)	14.00	9.00	42.50	50.00	33.00	26.00	12.00
10-year Bond Yield (End-Period)	23.10	9.90	23.70	25.00	20.00	20.00	12.50
TRY/USD (End-Period)	13.3	18.7	29.5	38.0	45.0	53.0	65.0

Sources: CEIC, Refinitiv, Capital Economics. 1) % of GDP. 2) IMF definition of government budget balance

Correct as of 6th June 2024

Details

| 5th February 2024

